

**New Immigrant Workers in the U.S., 2000-2005:
Their Impacts on Native-Born Young Workers**

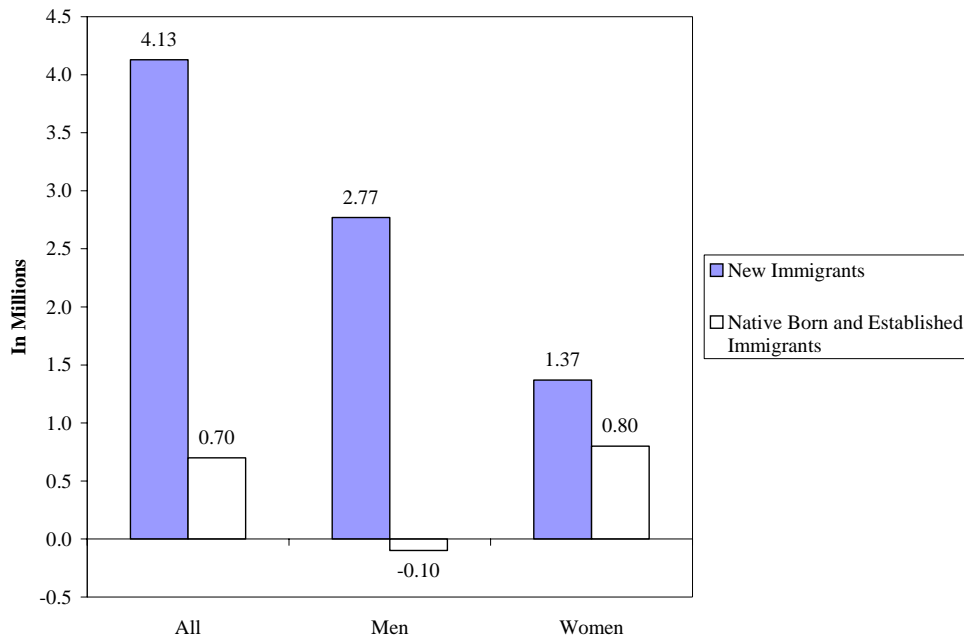
Testimony of Paul E. Harrington
Center for Labor Market Studies
Northeastern University

U.S. House of Representatives, Committee on the Judiciary,
Subcommittee on Immigration, Border Security and Claims

During the last five years, new immigrants have accounted for an overwhelming share of growth in the number of employed persons in the United States. Native born adults and established immigrants have been unable to capture much of the new employment opportunities that have been created in the nation since 2000. The number of employed persons in the civilian working age (16 and over) population rose by 4.835 million between 2000 and 2005. During 2005 a total of 4.134 million new immigrants were working in the U.S. New immigrants (those who have entered the U.S. since 2000 and were still residing here during 2005) accounted for 86 percent of the total increase in employment in the nation over the 2000 to 2005 period. This means that native born and established immigrants accounted for less than one sixth of the total increase in civilian employment that occurred in the nation over the past five years. These findings differ by gender. Among men, new immigrants accounted for the entire rise in employment as the total number of employed men in the nation increased by only 2.665 million while the number of employed new immigrant males was 2.767 million during 2005. For the first time since the end of World War II there has been no gain in employment among native born men over a five year period.

Employment growth among new immigrants was heavily concentrated among those under the age of 35. Approximately two thirds of the increase in the new immigrant employed workforce, or 2.708 million workers, took place among those 16-34 years old. Another 1.3 million new immigrant workers were in the 35-54 age group while very few (only 142,000) were 55 and older.

Chart 1:
Changes in Employment among Native-Born Workers and
New Immigrants, Total and by Gender 2000 to 2005
(In Millions)



Sources: (a) CPS monthly surveys, public use files, 2000 and 2005, tabulations by Center for Labor Market Studies.

(b) U.S. Bureau of Labor Statistics, web site, www.bls.gov.

Notes: ⁽¹⁾ A new immigrant is a foreign born individual who migrated to the U.S. between 2000 and 2005 and was working at the time of the 2005 CPS surveys.

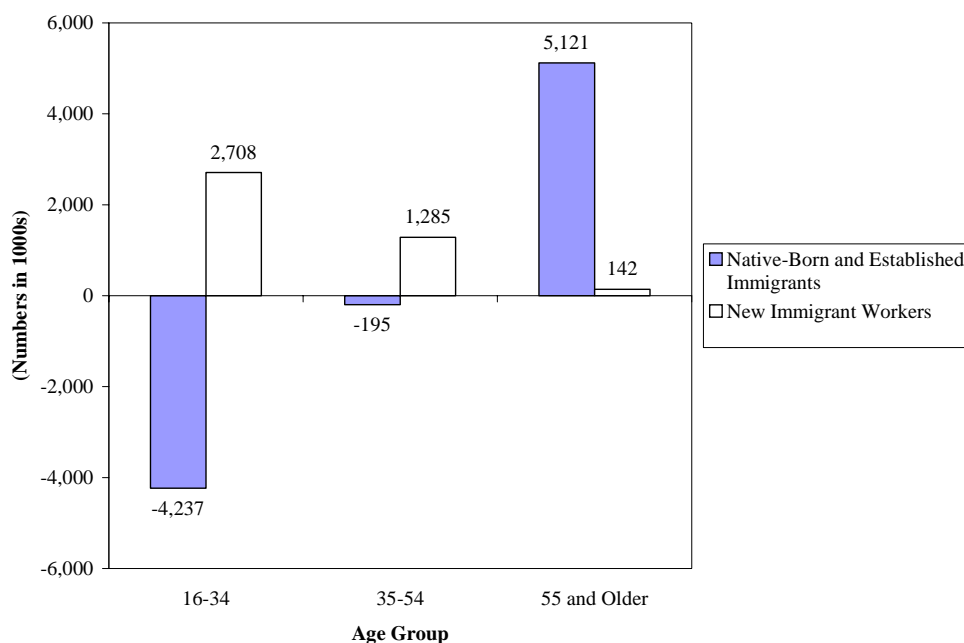
Many of these young immigrant workers were close substitutes for native-born young workers (especially males and those under 25 without college degrees.) By subtracting the number of new immigrant workers in each age group from the change in total employment by age group, we can estimate the change in the number of employed native-born workers and established immigrants in each age group between 2000 and 2005. Clearly, young native-born workers and established immigrants experienced extraordinarily large job losses between 2000 and 2005 that went well beyond those that would have been expected from the existence of more slack labor market conditions in 2005 than in 2000.¹ There were 4.237 million fewer employed 16-34 year old native-born and established immigrant workers in 2005. In contrast, the employment decline among the nation's 35-54 year old native born workforce was only 195,000,

¹ Only 20 percent of the decline in young, native- born male employment between 2000 and 2005 can be attributed to changes in macro labor market conditions between these two years. The unemployment rate in 2005 was 1.1 percentage points above the 2000 unemployment rate.

and the number of older employed workers who were U.S. born or immigrated prior to 2000 rose by more than 5.12 million. Native-born older workers faced very little competition from new immigrant workers in their age group.

The decline in the last five years in the number of employed native born teens and young adults is not the product of a shrinking native born (and long term immigrant) population. The size of the native born population between the ages of 16 and 34 has increased by 1.840 million between 2000 and 2005. Given the growth in the size of the native-born teen and young adult population between 2000 and 2005, the sharp decline in their employment levels had to be generated by reduced employment rates among these young adults over this five year period. The decline in the number of employed working age teens and young adults in the nation is entirely the product of sharp declines in the proportion of these young people who found work.

Chart 2:
Estimated Changes in the Number of Employed Native-Born Workers and Established
Immigrants by Selected Age Groups in the U.S., 2000 – 2005
(Annual Averages in 1000s)



The employment situation among the young native born population in every age group among both males and females deteriorated considerably between 2000 and 2005. The employment to population ratio for all of the young age subgroups of native-born men and women fell sharply. Teen males aged 16 to 19 experienced the sharpest decline in their

employment rates that stood at 45.7 percent in 2000 but fell to 36.4 percent by 2005, a 20 percent relative decline in their employment rate. Female teens also experienced sharp declines in their E/P ratios. Female teens employment rates declined from 46.8 percent during 2000 to 39.5 percent by 2005, a relative decline of 16 percent over the five year period. An earlier multivariate analysis conducted by the Center for Labor Market Studies found that the rising employment levels of new immigrants had the greatest adverse impact on the employment rates of younger, less well educated population subgroup of the 16 to 34 year old population.

Table 1:
Changes in the Employment / Population Ratios of 16-34 Year Old, by Age Group, 2000 – 2005
(Annual Averages in Per Cent)

	(A)	(B)	(C)	(D)
Gender	2000	2005	Percentage Point Change (B – A)	Per Cent Change (B – A / A)
Males				
• 16 – 19	45.7	36.4	-9.3	-20
• 20 – 24	76.3	70.8	-5.5	-7
• 25 – 29	89.0	84.7	-4.3	-5
• 30 – 34	91.5	88.7	-2.8	-3
Females				
• 16 – 19	46.8	39.5	-7.3	-16
• 20 – 24	70.5	66.7	-3.8	-5
• 25 – 29	77.4	72.9	-4.5	-6
• 30 – 34	75.1	73.2	-1.9	-2

Diminished access to employment for teens and young adults has important economic and social consequences. Working at an early age is a developmental activity akin to developing basic skills or occupational proficiencies in a school setting. Early work experience helps further enhance the productive abilities of young adults along dimensions that are not typically addressed in classrooms. Students who work more at a younger age participate in the labor force at higher rates as adults, are less likely to experience a bout of unemployment as adults and if they do become unemployed find work more quickly than those with little or no work experience while young. Early work experience can increase the earnings of individuals by between 25 and 30 percent when they become young adults.

The number of employed, native-born young adult males fell considerably over the 2000-2005 period despite a rise in the number of such men in the population over this period. While young native-born male employment was down by 1.72 million, the number of new male immigrant workers over the same five year period was up by 1.859 million, suggesting substantial displacement of young native-born males by newly arrived immigrants. Among young women, 2005 employment levels were 1.38 million below their potential full employment levels while employment levels of new female immigrant workers in the same age group were up by 850,000.

Multivariate statistical analyses of the employment status of teens and young adults in the U.S. in 2003 and 2004 conducted by CLMS revealed that the employment probabilities of young workers were negatively affected by the level of new immigrant worker inflows in their state. These negative impacts tended to be larger for the younger subgroups, for men than for women, for in-school youth than for out-of-school youth, and for Black and Hispanic males than for their White counterparts. Employers were substituting new immigrant workers for young native-born workers. The estimated sizes of these displacement effects were frequently quite large.

The increased hiring of new immigrant workers also has been accompanied by important changes in the structure of labor markets and employer-employee relationships. Fewer new workers, especially private sector wage and salary workers are ending up on the formal payrolls

Non-Agricultural Wage and Salary Employment Changes in the U.S.,
16 Quarters from the Trough of the Last Six Recessions
 (Seasonally adjusted, in Millions)

Cycle Trough	Sixteen Quarters After Trough	Employment at Trough	Employment 16 Quarters after Trough	Employment Change	Per Cent
1961 Q1	1965 Q1	53.475	59.648	6.174	11.5%
1970 Q4	1974 Q4	70.459	78.124	7.665	10.9%
1975 Q1	1979 Q1	76.769	89.046	12.278	16.0%
1982 Q4	1986 Q4	88.704	100.173	11.469	12.9%
1991 Q1	1995 Q1	108.530	116.479	7.949	7.3%
2001 Q4	2005 Q4	131.130	134.161	3.031	2.5%

Source: U.S. Bureau of Labor Statistics, Current Employment Statistics Survey, Seasonally Adjusted Quarterly Average Data, Downloaded from WWW.BLS.Gov May 18, 2006.

of employers. Payroll employment growth during the current recovery has been especially sluggish when compared to prior periods of business cycle expansion. There are extraordinarily large gaps between the growth of wage and salary employment as measured by the CPS household survey over the 2000-2005 period and the number of wage and salary jobs appearing on the payrolls of private sector employers over the same period. Many more workers, especially undocumented immigrants, were hired off-the-books or as independent contractors. These workers frequently do not receive any health insurance or pension coverage, and they do not appear to be covered by the protection of existing federal and state labor laws, including wages and hours, worker health and safety, or unemployment insurance and worker compensation laws.